

WASHINGTON STATE AIR CARGO MOVEMENT STUDY



STAKEHOLDER PANEL

OCTOBER 2, 2018

BOEING FIELD, SEATTLE, WA



Recommendations and Implementation Strategies

- Study Purpose
- Key Conclusions from Task 3 (Evaluate how to maximize use of WA's existing air cargo capacity)
- Air Cargo System Vision, Goals and Objectives
- Recommendations
- Private Sector Input
- Committee Discussion of Recommendations
- Next Steps

Study Status

- Describe the Air Cargo System in WA State
 - Final
- Air Cargo Congestion
 - Final
- Evaluate How to Use Existing Capacity in Washington
 - Final
- Recommendations and Implementation Strategy
 - Final Review
- Draft and Final Report
 - October-December

Project Purpose and Objectives

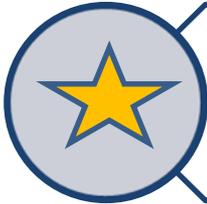
Purpose: Evaluate the current and future capacity of the statewide air cargo system

Objectives:

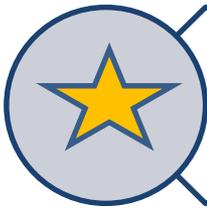
1. Educate policy makers about air cargo movement at Washington airports;
2. Explore possibilities for accommodating the growing air cargo market at more airports around the state; and,
3. Identify the State's interest and role in addressing issues arising from air cargo.

Key Recommendations from Task 3

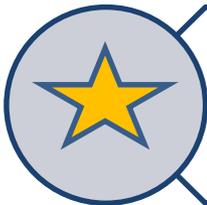
(Evaluate how to maximize use of WA's existing air cargo capacity)



Maintain current air cargo and expand the existing integrator operations around the state (Amazon, DHL, FedEx, UPS, etc.)



Attract air charter operations for cherry and other perishable agricultural products to Central Washington airports, and



Develop smaller airports into centers for regional ground based logistical operations.

In the longer term, as the market expands, scheduled freighter service becomes a more realistic goal for some airports such as Spokane, Snohomish, and, possibly, Grant County International. Also, with the emergence of e-commerce as a force in the new economy, WA should be proactive in courting e-commerce fulfillment & logistics centers highlighting the state's airports, pacific rim location, developable land and gateway hubs for the major integrator airlines.

Objectives of the Strategic Plan

To clearly define the purpose of air cargo and logistics business development program.

To effectively utilize the air cargo capacity at more airports around the state.

Establish realistic goals and objectives consistent within the State's capacity for implementation.

Communicate those goals and objectives to air cargo stakeholders and the community.

Ensure the most effective use is made of the State's resources by focusing on key priorities.

Provide a base from which progress can be measured

Build a consensus about the strategic direction public use airports in WA are taking in terms of air cargo and logistics services.

To define the State's interest and role in addressing issues arising from air cargo congestion.

To provide policy guidance and recommendations on air cargo to supplement the WSDOT Freight and Goods Transportation System (FGTS) Plan

Provide for clearer policy and market guidance for the Washington state legislature.

Vision for Air Cargo in WA State

A description of the desired outcome for the future of air cargo facilities and services in Washington State.

A statewide system of on-airport and off-airport air cargo facilities working in concert to accommodate Washington's future air cargo needs with efficient facilities and services, global access and seamless surface distribution capabilities.

This statement will be used to guide the development of more specific goals and objectives that will lead to the creation of strategies to be employed by the State to achieve this vision.

Air Cargo Strategic Goals

Goals are the result or achievement toward which effort is directed. The primary strategic goals of Washington State in regards to air cargo are:

Ensure that Washington state maintains air cargo capacity to accommodate future levels of demand.

Assist airports throughout the state with optimizing their existing resources in expanding the state's air cargo capacity.

Be prepared to adapt in a timely manner to structural changes in supply chain management and distribution as it relates to air cargo.

Integrate air cargo into other statewide freight planning and economic development initiatives.

Given the GDP attributable to air cargo, make it a core component of Washington state's economic platform

Air Cargo Objectives

To successfully fulfill the goals of the State with regard to air cargo:

Retain the existing air cargo service levels within Washington State.

Expand the level of air cargo and value added services offered by existing airlines and forwarders.

Attract new airlines, air freight forwarders and logistics service providers to Washington State.

Increase the state's air cargo lift capacity during peak cherry season.

Attract third-party logistics providers, value-added manufacturers, warehouse operators, road feeder services, etc. by supporting ready-to-build off-airport industrial sites.

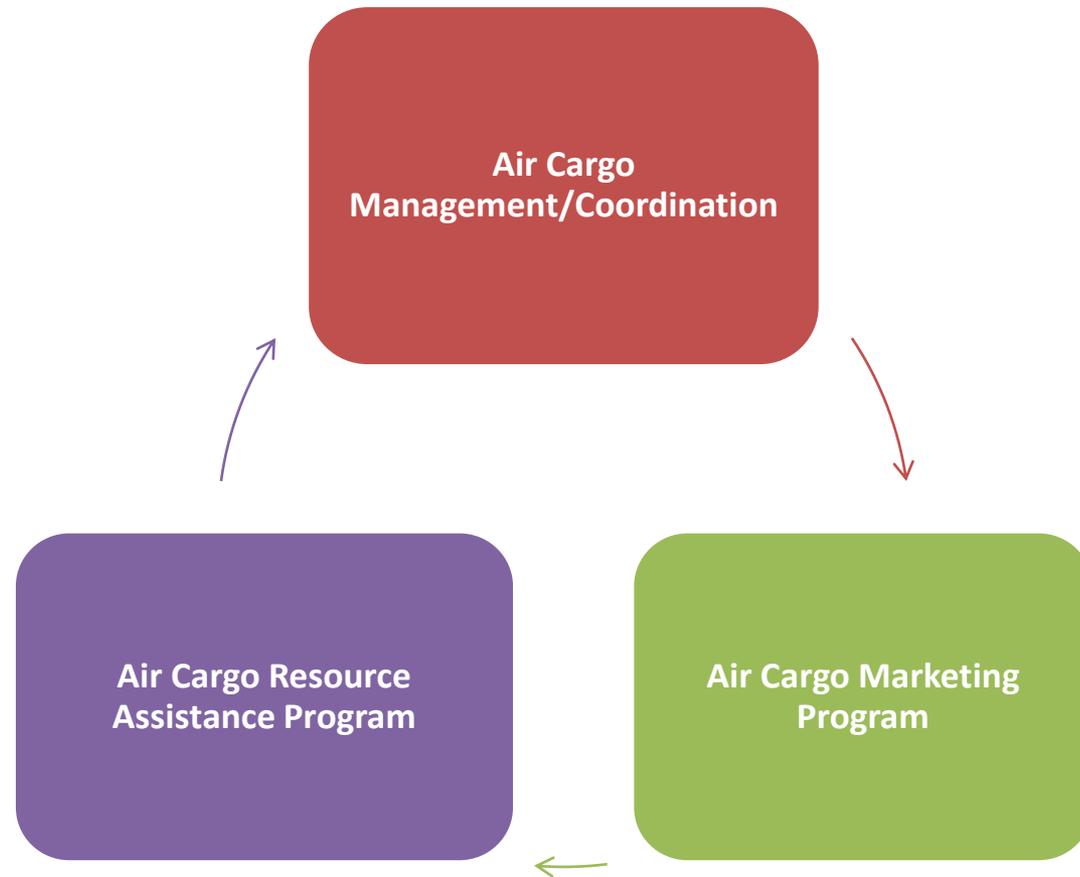
Implement a statewide air cargo community system to enable information exchange between public and private stakeholders in order to improve the competitive position of the State's air cargo airports and air cargo logistics service providers.

Deepen integrate of air cargo in the WSDOT Freight and Goods Transportation System (FGTS) Plan.

Assist smaller airports in Washington state in developing and attracting air cargo and other logistics services opportunities, including e-commerce fulfillment centers.

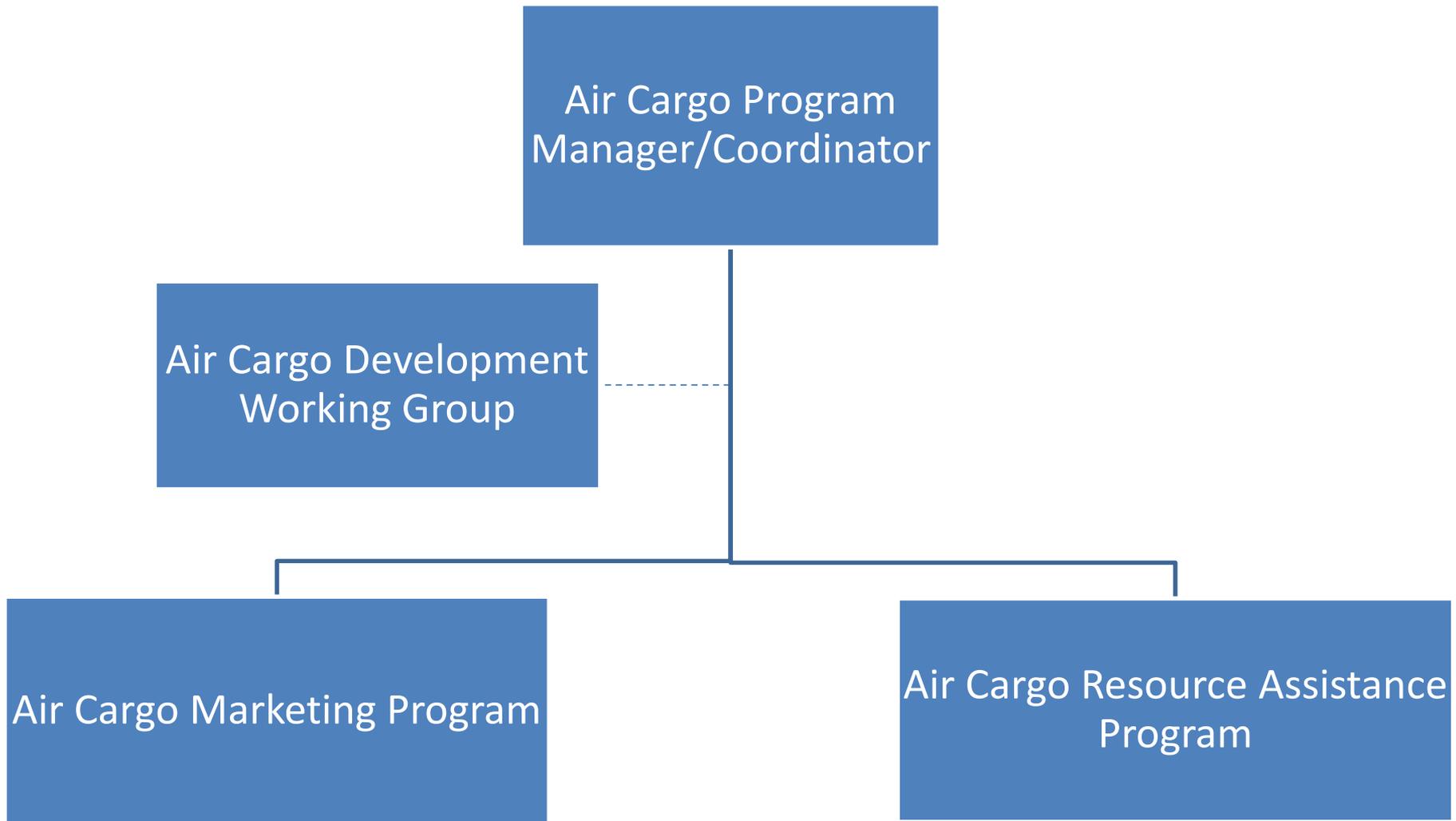
Air Cargo Development Program

To be responsive to the air cargo goals and objectives stated previously, Washington state should develop a strategy comprised of the following three functions:



Each function is closely inter-related and dependent on each other

Air Cargo Development Program



Air Cargo Resource Assistance Program

To help the state's airports in the timely creation of services, facilities and support for which they have determined there is a perceived market need.

Act as a clearing house and resource center to assist airports to navigate the various existing state and federal grants that can be utilized to improve existing, or create new, air cargo facilities and services at their airport;

Identify the need for new sources of funding and support that Washington state airports can utilize to meet air cargo market requirements; and

Help develop new legislative policy initiatives to promote and encourage air cargo development throughout the state.

The Resource Assistance Program would work closely with Office of Economic Development and Competitiveness (OEDC) and the Public Works Board and Community and Economic Revitalization Board (CERB) within the WA Department of Commerce, and the Freight Systems Office and the Office of Aviation within WSDOT

Implement Resource Assistance

Assist airports in identifying and securing:

- Existing grants for cargo facilities, equipment acquisition and improvements both on- and off- site
- Loans for land and building acquisition, expansion and equipment
- Matching grants for development of air cargo market assessment
- Tax credits for companies to locate at an airport
- Sales tax abatement on construction materials
- Advice on creation and operation of FTZs

Air Cargo Marketing Program

Assist airports in gaining exposure to the market place

Coordinate individual airport direct sales efforts with general indirect marketing aimed at a broad range of general promotion efforts for Washington state airports

Develop market intelligence and tracking of trends in order to know the needs and price points of their potential customers/tenants

Participate in national and international industry associations and events to advocate for WA State airports and provide input on industry standards and proposed government regulations

Implement General/Indirect Marketing

- Create a marketing campaign to promote the use of Washington state airports.
 - One theme would focus on increasing exports of perishable agricultural products from central Washington state airports that can accommodate international charters.
- Find/create a funding mechanism to support the costs of attending international air cargo events to promote Washington State air cargo airports.
- Design a joint-use exhibition display booth to promote Washington state airports at air cargo forums and exhibitions.
- Organize attendance of interested Washington State airports to attend the International Air Cargo Association (TIACA) Air Cargo Forum 2020.

Air Cargo Management

Air Cargo Program Manager

- Coordinate the efforts of the Air Cargo Working Group.
- Manage State Air Cargo Marketing and Resource Assistance Programs.
- Be knowledgeable of the air cargo industry and of air cargo activity in Washington state and the various programs operated by the Washington State government.
- Initiate and maintain regular personal contact with WA state air cargo stakeholders and be proactive in identifying competitive opportunities.

Air Cargo Development Working Group

- Representatives from various offices within the Department of Commerce and the Department of Transportation, airports, private air cargo industry.
- Coordination of state grant programs and economic development incentives to improve facilities and services.
- Research into trends and market opportunities.
- Suggest new program ideas to attract additional air cargo business.

Implement Air Cargo Development Program

Engage Multiple Agencies and Divisions

WSDOT: “Mission: provide safe, reliable and cost-effective transportation options to improve communities and economic vitality for people and businesses.”

WSDOT

Office of Aviation

Freight Systems Office

Freight Mobility Strategic Investment Board

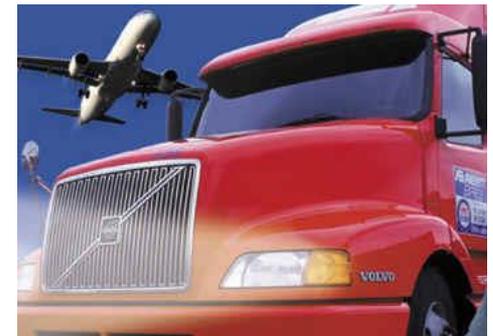
Commerce

Office of Economic Development & Competitiveness

Community & Economic Revitalization Board

Public Works Board

Commerce: “the one agency in state government that touches every aspect of community and economic development: planning, infrastructure, energy, public facilities, housing, public safety and crime victims, international trade, business services and more.”



Other Recommendations



Airport Logistics/Distribution Centers

A larger multimodal distribution concept that brings together third-party logistics providers that manage some or all of various company logistics functions, both on- and off-airport.

Way for airports to generate revenue and build up facilities to attract air cargo

- Sometimes referred to as an inland port strategy
- Rickenbacker, Huntsville and Alliance are successful examples

Opportunity to take pressure off of Sea-Tac and retain/attract more air cargo market share in WA

- If developed at smaller, strategically located airports, could strengthen system and generate local economic development

Support Development of Airport Logistics/Distribution Centers

- Develop guide for establishment of airport logistic parks and FTZ creation and operation.
- Adapt/create grant program to assist airports to perform air cargo market analysis and feasibility studies.

Cargo Community System

A neutral and open electronic platform enabling intelligent and secure information exchange between public and private stakeholders in order to improve the competitive position of airport communities.

Short-term:

- Create web portal to link air cargo users (forwarders, carriers, etc.) and airports, and promote WA state air cargo resources.
- Create or promote an industry association to advocate for air cargo users and airports in the state.

Long-term:

- Help shape an open electronic platform enabling secure information exchange that will allow the tracking of air cargo between cargo warehouses, airlines and forwarders in WA.

Performance Measurement

- Collect and report statistics and data
- With Working Group, develop a standardized, electronic statewide air cargo data reporting form
 - Units of enplaned air cargo and deplaned air cargo, categorized as international or domestic by air carrier
 - Also to include landings of all-cargo aircraft by aircraft type and air carrier
- Measure Performance
 - Establish Key Performance Indicators (KPIs) such as number of wide-body freight landings, number of narrow-body freight landings, tons of air cargo by type and origin, etc.
 - Method of tracking long-term trends in state

Private Sector Stakeholders Perceptions

- Review Input from Stakeholder Interviews in 2017
- Industry Responses to Recommendations
- Discussion

Industry Perceptions from Interviews and 2017 Air Freight Forwarders Forum

- According to international airlines interviewed, Sea-Tac is a good place to do business and most find the facilities and services to be more than adequate.
- Growth of air cargo, limited ground-handling space and constrained layout lead to congestion and delays during peak periods. Concerns include:
 - Significant wait times for trucks accessing the terminal
 - Delays in handling goods, particularly for airlines that do not handle their own cargo
 - Lack of TSA screening resources on the airport
- Several stakeholders noted that similar constraints exist at other airports around the world and more efficient layout and additional off-airport facilities could resolve many of these problems.

Industry Perceptions from Interviews and 2017 Air Freight Forwarders Forum

- There is a lack of consensus among airlines interviewed about utilizing facilities at other airports:
 - Some indicate an openness to it.
 - However, concerns – including lack of familiarity - about facilities and services exist.
 - Ultimately, freight forwarders make the decisions.
 - Their understanding and support for any alternative air cargo services and locations will be critical to its success.
- These perceptions, along with air cargo trends, forecast and facility information have been used in identification of opportunities and constraints.

Requested Comments on Study Papers and Recommendations from Airforwarders and International Air Cargo Associations, August 2018

Bruce Wilson, Transgroup Worldwide Logistics, Seattle

- It's comprehensive and detailed.
- Addressed the problem that affects us all - congestion - quite effectively.
- An in-depth look at Washington State.
- I favor limited governmental involvement but:
 - they need to play a major role, given the amount of \$ it would take to do virtually anything (marketing, expansion, etc.)
 - the idea of the Air Cargo Development Working Group, with all stakeholders, should be actively promoted.
- Suggestions regarding the marketing of smaller airports in Washington
 - clearly everything is pointed to Seattle/King County.
- Both Sea-Tac and King County are limited by the same geography that limits the rest of the transportation in this area:
 - effectively squeezed between residential areas, Puget Sound and the Cascades.

Private Sector Industry Discussion

Do you have any concerns about the air cargo system/capacity in WA state today or in the future?

What can the state do to attract/retain more air cargo goods through WA airports?

Do you have any comments on the study analysis and recommendations?

Stakeholder Panel Discussion

Do the proposed recommendations adequately address air cargo needs in WA?

Are there additional or different ideas for recommendations?

How do you think the recommendations should be implemented?

State Interest and Role

Stakeholder Panel, Moses Lake, June 2018

- Puget Sound has natural gravity – how help other areas?
- Explore why existing funding sources don't fill need
- New programs should relieve congestion and create opportunities outside of Puget Sound
- Support for building distribution centers
- Support for statewide network marketing tool
- Need to organize smaller airports
- Prevent diversion of agricultural products to Canadian airports
- State role is coordination - bring airports to work together
- Could planes transport cargo between airports?
- Understand distribution market
- Need data and clarify demand east of Cascades
- Interest in inland depot concepts
- State should reduce costly requirements
- Involve private sector in investment decisions

Next Steps

- Draft Final Report
- Joint Transportation Committee Briefing – November 13, 2018

